



***Program Compliance Office
Cal Grant Program Review Report***

2003-04 Award Year

**California State University, Fresno
Program Review ID#80500114700**

**5150 N. Maple Avenue
Fresno, CA 93740-0057**

Program Review Dates: November 14 – 16, 2005

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AUDITOR'S REPORT

SUMMARY

We reviewed CSU Fresno's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Income Ceiling Level Exceeded
- Incorrect Grade Level Reported
- Reconciliation Not Completed
- Excess Cal Grant Funds Not Returned to the Commission

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A and B

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Public Institution of Higher Education
- President: John Welty
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 21,000

B. Institutional Persons Contacted

- Maria Hernandez: Director of Financial Aid
- John Klein: Student Account Manager
- Marion Elder: System Analyst
- Reiko Obata: Administrative Analyst
- Adeline Ford: Student Personnel Technician

C. Financial Aid

- Date of Prior Commission Program Review: November 1994
- Branches: None
- Financial Aid Programs: Federal: Family Education Loan Program, Work Study, Pell, Perkins and SEOG
State: Cal Grants A, B, and T
- Financial Aid Consultant: None

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 40 students who received a total of 9 Cal Grant A, and 31 Cal Grant B awards within the review period. The program review sample was randomly selected from the total population of 3,708 recipients.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on November 16, 2005.

November 16, 2005

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT ELIGIBILITY:

FINDING: Income Ceiling Level Exceeded

A review of 15 new Cal Grant recipient files revealed one case in which a student's income ceiling level was exceeded for the 2003-04 award year.

DISCUSSION:

New Cal Grant applicants with financial need whose income does not exceed the income ceiling and meet other selection criteria are eligible to receive student financial assistance. Although the Cal Grant program is a state-funded program, applicants must submit a Free Application for Federal Student Aid (FAFSA), which provides financial and family information used to determine eligibility for both federal and state aid. The Commission electronically draws down applicant information from the Central Processing System (CPS) contractor selected by the U.S. Department of Education (Department).

If an institution has financial information which conflicts with that reported on the FAFSA, and if the student's award amount would be affected, the institution must notify the Commission and not disburse funds that would exceed the amount the student would be otherwise eligible to receive based on the revised information.

A review of the file of student No. 17 revealed that dependent student's 2003-04 ISIR dated July 30, 2003 disclosed a Total Income (TI) of \$38,244 with 3 in the household. According to the Commission's Operation Memo GOM 2002-09, the income ceiling level for a depending student with *three* in the household is \$31,500 for the 2003-04 award year.

Commission and institutional records disclosed that the student received Cal Grant funds in the amount of \$3,403 for the 2003-04 award year. As a result of the student not being eligible to receive Cal Grant funds due to exceeding the income ceiling level, these funds are deemed ineligible.

Subsequent to the on-site review, the auditor informed the Commission's Grant Operations Branch of the student's ineligibility and the student's eligibility was removed from WebGrants.

REFERENCES:

California Education Code 69535(a)
California Education Code 69538
Institutional Participation Agreement, Article IV.A.B.
Cal Grant Manual, Chapter 3, pages 3-1 and 3-11
Operations Memo, GOM 2002-09, dated 9/30/02

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The institution is required to remit the ineligible funds of **\$3,403** on behalf of student No. 17 as directed in the payment instructions located at the conclusion of this report. Furthermore, the institution is required to submit policies and procedures that will be implemented to ensure that all new Cal Grant recipients do not exceed the income ceiling level amounts as indicated by the Commission.

INSTITUTION RESPONSE:

Campus concurs with finding. Failure to notify the Commission was due, in part, to human error. Instructions for identification and reporting of conflicting data can be found in our office procedural manual (memo CPG-I). In addition, the campus's fairly recent conversion to PeopleSoft found us lacking adequate means to coordinate ISIR data with Cal Grant awarding criteria. A query has been developed to assist in the identification of data which may deem a first time recipient ineligible.

AUDITOR REPLY:

The institution returned \$3,403 on check # 222-110538 dated March 13, 2006 and submitted policies and procedures that ensure all new Cal Grant recipients do not exceed the income ceiling level amounts as indicated by the Commission. This action is deemed acceptable and no further action is required.

D. ROSTERS AND REPORTS:

FINDING: Incorrect Grade Level Reported

A review of 20 student files revealed one case in which an incorrect grade level was reported to the Commission.

DISCUSSION:

The Commission's Educational Level Report is used to verify new Cal Grant A and B recipient's educational level (EL). A recipient's EL determines the number of years a student will be eligible to receive Cal Grant benefits. Institutions must verify each recipient's EL based on the recipient's EL at the time the student receives the initial Cal Grant payment. Verification should not be based on the EL of the recipient at the time the report is received and/or completed.

CSU, Fresno's grade level status policy for the 2003-04 award year is as follows:

Grade Level	Number of Units
1	0 - 29
2	30 – 59
3	60 – 89
4	90 - +

FINDINGS AND REQUIRED ACTIONS (continued)

A review of the file of student No. 17 revealed that the institution erroneously reported the aforementioned student as a grade level 2. However, based on the student's academic transcript, the student had completed 18.0 units at the start of the Fall 2003 semester and therefore, should have been reported as a grade level 1.

Subsequent to the on-site review, the students eligibility was removed from the WebGrant system.

REFERENCES:

Cal Grant Manual, Chapter 5, page 5-4, 5-11 thru 5-13
Cal Grant Manual, Chapter 7, page 7-3 thru 7-6
Institutional Participation Agreement, Article IV.A.B.

REQUIRED ACTION:

The institution is required submit policies and procedures that will be implemented to ensure that the correct grade level is reported to the Commission for all new Cal Grant recipients.

INSTITUTION RESPONSE:

Campus concurs with finding. A query has been developed to identify students warranting EL verification. This query compares recipients EL on the Commission's Educational Level Report with data available in PeopleSoft. This query will be run on a regularly calendared basis to insure appropriate grade level reporting.

AUDITOR REPLY:

The institution submitted policies and procedures that ensure the correct grade level is reported to the Commission for all new Cal Grant recipients. This action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY:

FINDING 1: Reconciliation Not Completed

A review of institutional records revealed that Cal Grant funds were not reconciled for the 2003-04 award year.

DISCUSSION:

Institutions participating in Cal Grant programs are required to reconcile their accounts with the funds received from the Commission for each academic year. Institutions are directed to make all disbursements no later than September 30th following the award year (e.g., September 20, 2004 for the 2003-04 award year). Upon receipt of Cal Grant funds from the Commission, the institution must determine and verify student eligibility prior to disbursing funds.

FINDINGS AND REQUIRED ACTIONS (continued)

Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission. Additionally, the institution will bear the liability for payments not reported to the Commission prior to the required reconciliation date.

For the 2003-04 award year, the Commission advanced and the institution reported \$9,487,577 in payments. Upon further examination of the institution's accounting records, it was determined that the institution disbursed a total amount of \$9,484,927 in Cal Grant funds. Of the \$9,484,927 disbursed, \$5 was not reported to the Commission prior to the 2003-04 year-end reconciliation as illustrated below.

Student ID	CSAC Paid	Institution Paid	Unreported Payments
Y1	\$2,586	\$2,587	\$1
Y2	\$3,476	\$3,480	\$4
TOTAL UNDISBURSED FUNDS			\$5

Total disbursements to be reimbursed by the Commission for the 2003-04 award year equaled \$9,484,922 (disbursed amount of \$9,484,927 less unreported payments of \$5). Therefore, the institution disbursed \$594 less than the amount advanced by the Commission (CSAC advanced amount \$9,487,577 less Invoice paid amount of \$2,061 less reimbursable payments of \$9,484,922) as illustrated in the chart below:

Student ID	CSAC Paid	Institution Paid	Undisbursed Payments
X1	\$594	\$0	\$594
TOTAL UNREPORTED PAYMENTS			\$594

REFERENCES:

California Education Code, 69535.5
Institutional Participation Agreement, Article IV.C.
Institutional Participation Agreement, Article IV.D.
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, page 9-6, 9-7, and 9-11

REQUIRED ACTION:

The institution is required to remit the undisbursed funds in the amount of **\$594** for the 2003-04 award year as directed in the payment instructions located at the conclusion of this Report.

Additionally, CSU, Fresno must submit written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Institutional Participation Agreement and the Cal Grant Manual. These written procedures should include staff titles and specific areas of responsibilities as they related to the Cal Grant accounting process.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

Campus concurs with finding. Conversion to PeopleSoft brought with it challenges related to Cal Grant data reconciliation with PeopleSoft payment data. A number of queries have now been developed to assist with the reconciliation of Cal Grant funds. These efforts will be handled by Adeline Ford, Student Personnel Technician and Marion Elder, System Analyst. These two individuals will work closely with John Klein, Student Account Manager, to insure coordination with campus accounting documents.

AUDITOR REPLY:

The institution returned \$594 on check # 222-110538 dated March 13, 2006 and submitted policies and procedures where the institution reconciles its records as required by the Institutional Participation Agreement and the Cal Grant Manual. This action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY:

FINDING 2: Excess Cal Grant Funds Not Returned to the Commission

A review of the institution's accounting documentation revealed excess Cal Grant funds in its account.

DISCUSSION:

After the Commission has conducted final reconciliation of Cal Grant program funds for each academic year, an institution may not offset any funds owed to the Commission by funds that may be owed to the institution (i.e. netting). Additionally, the institution must return any funds remaining in its Cal Grant account according to Commission records. An institution may not apply excess funds to any other student's account or to any prior year accounts.

Institution's were instructed to return to the Commission any funds remaining in their Cal Grant accounts after the close of an award year as set forth by Commission Grant Operations Memo 99-06, dated 4/19/99.

A review of the institution's Cal Grant accounting documents and discussions with institutional staff revealed an excess of Cal Grant funds in the amount of \$8,686.30 at the end of the 2003-04 award year. These funds are deemed ineligible and must be returned to the Commission.

REFERENCES:

Institutional Participation Agreement, Article IV.D
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, pages 9-6 and 9-7
Commission Grant operations Memo 99-06, 4/19/99

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The institution must return the **\$8,686.30** for the 2003-04 award year as directed in the payment instructions located at the conclusion of this Report.

Additionally, CSU, Fresno must provide written procedures and quality control measures that will be implemented to ensure that Cal Grant funds are not carried forward to a new academic year. These written procedures should include staff titles and specific areas of responsibilities as they related to the Cal Grant accounting process. These procedures may be incorporate with Finding F.1. of this Report.

INSTITUTION RESPONSE:

Campus concurs with finding. Procedures have been implemented to perform reconciliation of Cal Grant disbursements. The utilization of queries referenced in Finding 1 under Fiscal Responsibilities will allow for more timely and precise reconciliation. Close coordination between the previously mentioned individuals will serve to insure accuracy.

The University will, if applicable, return any excess cash identified through the reconciliation process. The individuals previously mentioned will work closely to identify the student, term, and program for which excess cash is attributable according to Commission records. No excess cash will be requested or approved for transfer to the next academic year.

AUDITOR REPLY:

The institution returned \$8,686.30 on check # 222-110538 dated March 13, 2006 and submitted policies and procedures that Cal Grant funds are not carried forward to a new academic year. This action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE

<i>ID</i>	<i>Student Name</i>	<i>SSN</i>	<i>Program & E/C</i>	<i>New/Renewal</i>
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ATTACHMENT A - STUDENT SAMPLE (continued)

Unreported Payments

<i>ID</i>	<i>Student Name</i>	<i>SSN</i>	<i>Program & E/C</i>
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Undisbursed Funds

<i>ID</i>	<i>Student Name</i>	<i>SSN</i>	<i>Program & E/C</i>
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